

98-84400-15

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Bi-metallic money, and its  
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London

1876

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## BIBLIOGRAPHIC MICROFORM TARGET

ORIGINAL MATERIAL AS FILMED - EXISTING BIBLIOGRAPHIC RECORD

General Cernuschi, Henri, 1821-1896.  
Library Bi-metallic money, and its bearings  
332.42 on the monetary crises in Germany,  
Z3 France, England, and the United  
States. By Henri Cernuschi ... Tr.  
from the French. London, S. Low,  
Marston, Searle, & Rivington, 1876.  
48 p. 22 cm.

Volume of pamphlets.

Pub. originally in the *Siècle*,  
November and December, 1875.

1. Bimetallism. I. Title.

uc-main  
A000109  
n s820621  
/KEN820621 NNC  
82-B24593  
06-6198

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## TECHNICAL MICROFORM DATA

FILM SIZE: 35mm

REDUCTION RATIO: 10:1

IMAGE PLACEMENT: IA IIA IB IIB

DATE FILMED: 4-16-98

INITIALS: PB

TRACKING #: 32609

FILMED BY PRESERVATION RESOURCES, BETHLEHEM, PA.

33/504 116 Bi-metallic

# BI-METALLIC MONEY,

AND ITS

BEARINGS ON THE MONETARY CRISES IN GERMANY,  
FRANCE, ENGLAND, AND THE UNITED STATES.

BY

HENRI CERNUSCHI,

AUTHOR OF "MÉCANIQUE DE L'ÉCHANGE."

TRANSLATED FROM THE FRENCH

London :

SAMPSON LOW, MARSTON, SEARLE, & RIVINGTON,  
CROWN BUILDINGS, 188, FLEET STREET.

1876.

*Price One Shilling.*

No. 1

392.42  
23

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GILBERT AND RIVINGTON, PRINTERS,  
ST. JOHN'S SQUARE.

Irwin. Feb 4. 04

AUTHOR'S NOTE.

MONEY is a commodity which marks the value of other commodities and pays for them. In recommending the simultaneous employment of gold and silver as money, we do not mean either to recommend a double valuation, or a double standard; we recommend two metals, wherewith to constitute a single paying and valuating money. The nature of this money is exactly described by the term "bi-metallic."

PARIS, 31st December, 1875,  
7, Avenue Vélasquez, Parc Monceau.

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## BI-METALLIC MONEY.

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### I.

#### THE MONETARY QUESTION IN GERMANY.

WHENEVER the political regime of a country is modified, its monetary system inevitably undergoes a modifying action. On the accession of Victor Emmanuel to the throne of Italy, the ancient Lombard, Neapolitan, Tuscan, and Roman coinages were suppressed. When King William of Prussia became Emperor of Germany, a decree was promulgated to abolish the monetary systems of the Northern and Southern States. In Italy, the mint issues but one kind of money, the *lira*, bearing the Savoy Cross. That of Germany only

coins mares, bearing the Imperial Eagle. But, while establishing monetary unity, Italy sanctioned the bi-metallic system, which, as a legal tender, recognizes equally gold and silver; in adopting monetary uniformity, Germany did otherwise. She resolved to demonetise silver, although it circulated almost alone, and to allow no other legal tender than the gold marc into which she intended to convert the French War Indemnity. The bi-metallic system has been realized in Italy. Will Germany be able to realize her mono-metallic programme?

The Imperial Government has pursued its undertaking with ardour. In four years it has issued, firstly, 1,200,000 golden mares in coins of ten and twenty mares (each marc containing one franc, three and a half centimes of gold); secondly, it has hastened forward its new small-change metallic coinage (silver of a low standard, nickel and copper) which, at the ratio of  $12\frac{1}{2}$  mares per head of the population, is to replace the old billon coin which is being called in and melted down; thirdly, it has prohibited the circulation of the Dutch, Austrian, and French monies,

which had extensively circulated; fourthly, it has called in nearly all the florins and other silver coins of the Southern States and the Hanseatic Towns.

This being done, a single operation would remain to be carried out, namely, the withdrawal of the thaler, that most important piece of silver money. Now the sum of thalers to call in amounts to 200,000,000 (740,000,000 francs) and the warmest promoters of monometallism will themselves admit what serious difficulties stand in the way of demonetising so great a mass of metal. Where can all this silver be sent to? or what can be done with it? Up to the present, England and the United States admit only gold as a legal tender. Consequently, these countries cannot absorb the silver furnished by the German thalers. France, Italy, Belgium, Switzerland, that is to say, the Latin Union, though admitting the bi-metallic regime, have coalesced to prevent the Germans coming to their mints to have their thalers turned into pieces of five francs. And, to this end they have by common agreement suspended



their ancient free coinage of silver. Austria and Russia are condemned to a chronic state paper currency; they cannot think of acquiring the silver of Germany. There remain China and India. In these countries gold is not employed, as their payments are made in silver. But they have neither heavy credits on Germany nor the rest of Europe, and are therefore not in a position to send thither large sums. One can hardly imagine a cause for a great exportation of silver from Berlin to Peking short of the hypothesis of a decisive battle being lost by the Germans in fighting against the Chinese, and the latter having imposed a heavy indemnity on the former.

Moreover, we should bear in mind that if it is hard to find an outlet for demonetised silver, the purchase of the gold to replace it is no less difficult.

London, the chief mart of precious metals, can only furnish Australian and Californian gold according to the supplies received thence. Were the usual stock, of which the English themselves stand in absolute need, trenched upon, the result would be a terrible crisis in the British market,

which would immediately react upon all the rest of Europe, bringing with it ruin and disaster.

It is scarcely necessary to point out the gigantic losses Germany would, before causing this disastrous crisis, entail upon herself should she continue to offer heavy sums of silver, and to demand heavy sums of gold. The silver so offered would be more and more depreciated, and the price of gold would rise in a converse ratio, entailing a loss of millions to the German Treasury.

The Ministry of the Empire have foreseen these difficulties. To meet them they inserted in the decree, ruling that from January 1st, 1876, all payments shall be made neither in florins nor thalers, but exclusively in marcs, a restrictive clause, to maintain in circulation the thalers, which are to be counted as gold, and to be each held as equivalent to three marcs.

We see from this that the Imperial Government wishes to secure itself time, and hopes to demonetise slowly. But a slow demonetisation is not without serious drawbacks since it determines the exportation of gold. Here are the reasons why it does so:—

Since demonetisation has begun, silver which is constantly offered to foreign markets goes on falling in price, whilst, at home, the value of the thaler, this coin being a legal tender under the restrictive clause above mentioned, and appraised at three golden marcs, is not depreciated. Bankers therefore when they have payments to make abroad are careful not to transmit thalers. They send gold marcs, reserving their thalers for home payments. Government buys back the gold in foreign markets, and the bankers go on exporting it. The treasury thus undertakes to weave a Penelope's web, without any Ulysses in the distance. Already 20,000,000 of marcs have been sent abroad, the sixth part of all that has been coined. To sum up, Germany has judged prudent not to demonetise rapidly, whilst the success of a slow demonetisation appears highly doubtful.

Such is the situation. Before entering into the views which it suggests in the future, it is well to make clear what is the gold marc, the new monetary unity of Germany.

When the Empire decided upon the conversion

of the silver currency into gold, it was of necessity obliged, at the outset, to establish a convertible tariff, or in other words, to determine how many weights of silver should be equal to one in gold. The tariff was fixed at  $15\frac{1}{2}$ , which means that the owner of silver money, forced by the State to get rid of it, has a right, on presenting it at the Treasury offices, to receive in exchange for  $15\frac{1}{2}$  weights of this metal, bearing the stamp of the Mint, one weight of coined gold.

The Government was justified in establishing this proportion, which then corresponded with the respective value of the two metals in the general market, and with the ancient proportion which legally existed in France, Italy, Belgium, and Switzerland, between the gold and silver francs.

The proportion of  $15\frac{1}{2}$  once adopted, it was of importance that the value of the gold monetary unity which was to be created under the name of the marc should be such that the exchange of the old against the new money might not necessitate any long and complex calculation. To this end, without departing from the tariff of  $15\frac{1}{2}$ , it

was needful that the value of the marc should be exactly contained a certain number of times in the value of the thaler, the most important and widely circulated of the silver coins. This is what was done.

If we multiply by  $15\frac{1}{2}$  the weight of the marc, we get the exact weight of the third of a thaler, which renders the operation of exchanging thalers for marcs extremely simple. There is no fraction, nor small change to add in. For every thaler presented the Treasury officers should render three gold marcs.

The gold marc being thus constituted, and the silver thaler continuing until further orders in circulation, we cannot deny that from January 1st, 1876, there will be a metallic currency composed of gold and silver marcs, the latter containing  $15\frac{1}{2}$  times the weight of the former.

It will be exactly the same thing as in France, where the silver franc weighs  $15\frac{1}{2}$  times as much as the gold franc.

It is worthy of remark that the ancient bi-metallic regime at  $15\frac{1}{2}$ , the suppression of which several economists demanded in France, will soon

be in force in Germany, where it has never existed, and where nobody demanded its adoption. It is true that the bi-metallic system of Germany is not complete. To make it absolute each person should be free to coin silver money, whereas the silver marcs allowed to circulate are only the old thalers, and everybody is forbidden to manufacture new silver coins.

Here we come to the gist of the matter. Is it for the interest of Germany, France, and the general market that the German legislator shall continue this interdiction, or is it desirable that it should be withdrawn?

Germany is not committed to the monometallic system to the extent of being unable, without a great effort to abandon it. On the contrary, she has never so closely approached a bi-metallic regime, which in point of fact she already legally, though provisionally, possesses. In order that bi-metallism become permanent and absolute, it would suffice for her Government to ordain, firstly, that the coinage of gold and silver in the public Mint should be open to every one; secondly, that the weight of a silver marc shall

be equal to one-third the weight of a thaler; thirdly, that pieces of four or five silver marcs shall be struck in order to make *rouleaux* of 100 marcs, which cannot be done with the existing coins of three marcs—the thalers; fourthly, that no more thalers shall be struck, and the existing ones hereafter melted down and transformed into pieces of four or five marcs; fifthly, that there shall not be under the value of two marcs any more coins of low standard, and that those of five marcs, the coinage of which has begun, shall eventually be called in.

It is obvious that the application of a law to this effect would not meet with any difficulty, and it would be attended with important advantages. The German Government would be relieved of its monetary cares; it would be no longer obliged to seek issues, which do not exist for its silver; it would not be obliged to demand more gold than can possibly be supplied; it would avoid the losses ensuing by the continued fall of silver, and purchase of gold, which goes on rising; it would cease to fear the exportation of golden marcs; and finally, satis-

fied with having in the whole Empire a single denominational unity—the marc—it would leave the Germans free to make use at will of gold, or silver money, as was always practised in the States of the Latin Union up to 1874.

The coalition formed between France, Italy, Belgium, and Switzerland to resist the monetary enterprises of Germany would be at once dissolved. The monetisation of silver would be free in these countries, and there would be an end to a monetary war without precedent and without end, which is as contrary to scientific principles, as to the interests of the States by whom it is waged. The English market, and with it, the Continental markets, would escape from the crisis which is inevitable if the German Government persist in demanding more gold than can be furnished.

Is there an economist, banker, or statesman who can deny the reality and the importance of the advantages we have just enumerated?

## II.

### ENGLAND AND THE MONETARY REVOLUTION IN GERMANY.

THE gold coin of twenty shillings, or pound sterling, is the money of England.

If England had authorized the public to coin pieces containing each, in fine silver, fifteen times and a half the weight of fine metal contained in four shillings of gold (the fifth part of a pound), the currency of Great Britain would be bi-metallic, and as perfect as that of France. But it is not thus. Except the familiar coins, which are of a low standard, gold is the only legal tender in England.

The new monometallic School has taken advantage of this fact to shelter itself behind the English flag, and to call on Europe to proscribe silver money. Without the war of 1870 the advice of

the monometallists would have produced no effect. Victorious Germany, towards the end of 1871, believed that in listening to them, she would secure for herself a splendid prestige. What a superb thing it would be to disdain silver, and only condescend to handle gold! But since this school professes to copy England, we shall pass in review the history of English monometallism.

The bi-metallic French law of 1803 established the silver franc at  $15\frac{1}{2}$  times the weight of the gold one. But the bi-metallic American law of 1792 had fixed the silver dollar at the weight of 15 times only, the weight of the gold dollar. It was therefore found profitable by traders to have their silver coined in America, and their gold in France. They gained the fractional  $\frac{1}{2}$  upon the 15, which gave them more than a profit of 3 per cent. Gold, therefore, flowed into Europe, and silver into America.

What was England to do when, in 1816, she decided on resuming her specie payments? Was she to adopt the American 15, or the French  $15\frac{1}{2}$ ?

To find an issue from this embarrassment England took the course of only coining gold, which

appeared all the more convenient there being then much gold in the market, whilst the silver, as we have already shown, had been drawn to America. But, in adopting this course, England did not in anywise think of laying down a scientific principle, or of founding a monometallic gold school. So little did such an idea occur to her that she maintained, and still maintains, silver money among the 150 millions of Indians whom she governs. And she has always resorted to the bi-metallism of the European Continent to liquidate her accounts with Asia.

We should bear in mind, however, that before 1871 Europe had a bi-metallic constitution, imperfect no doubt, but sufficient for the common needs.

It was owing to this constitution that the English were always able to fetch from, or transmit silver to Paris or to Hamburg, and that the Germans could obtain gold from Paris or London, or send it there. Europe had employment for the silver money coming from Asia when Asia had to balance her accounts; and if, on the other hand, Europe had accounts to pay up in Asia she found

within her own States the silver money which she wanted.

How could payments between Europe and Asia, and especially those of England, be made if, like her, the Continent became monometallic? Where would we find silver for Asia, or what would we do with all that is sent from it if, while gold does not circulate in that part of the world, nothing but gold circulates in Europe?

Europe can only become monometallic on condition of rendering the rest of the world so. And to do this there would be two other conditions to fulfil. She would, in the first place, have to persuade all the inhabitants of the globe to get rid of their silver, to throw it into the sea, or to convert it into vessels of household utility; secondly, she would be obliged to share her gold with Asia to prevent the Asiatics, who had rid themselves of their silver, being without money.

The history of all ages, and that science whose inevitable laws human societies strictly observe, though no pen has ever formulized them, proves that gold and silver money are equally good. Mankind has ever made use of both, and ever

will, despite unfortunate local and temporary exceptions.

But to return to the comparison between the monetary arrangements of England in 1816 and those which Germany now is making.

Influenced by special circumstances England in that year decided upon only coining gold. But would she have done this if her anterior circulating currency, instead of being in paper, had been of silver? Paper has no intrinsic value. To get rid of it costs nothing. But it is a different thing to get off one's hand a precious metal which the owner has been crying down himself. An operation of this sort occasions the waste of millions. Will the monometallists who, in season and out, point to the example of England, dare to sustain that she would have adopted gold as her exclusive money, if she were first obliged to demonetise a milliard of silver francs? No. Nothing short of the intoxication of Sedan, followed by the intoxication of Frankfort could have hurried a nation into such an enterprise.

And have the United States, which, since 1834, have coined but gold dollars, demonetised a single

dollar of silver? Never. The proportion of 1 to 15, established in 1792, having had for its effect to send gold out of the country, Congress adopted a very excessive measure to act in a contrary sense. Instead of adopting the French 15½, the Americans, to stop the exportation of gold, regulated that the weight of silver dollars should no longer be as 15 but as 16 to 1 of gold. This was depreciating silver to an unnecessary extent. Directly the new law was put into execution the silver flowed so steadily to Europe, that one fine day, the Americans discovered they were monometallic. Though the coinage of silver money was free, there was nothing but gold in circulation.

Holland, a little country, hearkening to the economists, who were then hostile to gold, as they have since become to silver, was able in 1850 to demonetise her gold without much injury to any one. Acting with restricted sums, that nation easily found a demand among her neighbours for her demonetised gold, and was enabled in exchange to obtain the silver she wanted. But the most astonishingly incredible blunder in monetary history is the serenity with which, across the Rhine,

40 million Erostrates vote the demonetisation, the depreciation, the degradation of their metallic currency, without in the least suspecting the great mischief they work themselves and the other countries.

How much gold is there in the cellars of the Banks of England, of Scotland, and Ireland? Thirty-five million pounds sterling at the utmost. This is about the sum which Germany wants to replace her silver.

Can this gold at once suffice for the English cash reserve, and German circulation?

Certainly not. We are told that California and Australia will supply necessary gold. This is a bad calculation. Up to the present, the annual production of gold has sufficed for monetary needs, which go on increasing, and to industrial consumption, which is constantly rising. But it will not suffice to fill the yawning monetary gulf which was suddenly opened by the demonetisation of the German silver currency. Besides it is a well-known fact that the supply of gold is on the wane.

When, even, the Government of the Confede-

rated Empire already had in portfolio 35,000,000 pounds sterling in letters of change on London, could it venture to present them for payment and leave England without a sovereign in hand? Germany, which unhappily believes her dignity is bound up in realizing the scheme of gold monometallism, wishes to pass for moderate. But she cannot help drawing gold from London. The City journals do not hide their apprehensions. For some time they have ceased to admire the monetary revolution Germany has tried to accomplish, ostensibly in imitation of England.

Of all the different States, the one most directly menaced by the German operation is Great Britain. It is quite possible, that not to remain without metallic money, England may in our time do what she did not accomplish in 1816. She may authorize the public to coin pounds sterling of silver, in pieces of four shillings, and concurrently with gold, call them into circulation.



## III.

## THE UNIVERSALITY OF THE 15½.

SINCE 1803, the silver franc has weighed 15½ francs of gold, and the silver marc now weighs 15½ marcs of gold.<sup>1</sup>

Let this weight of the silver marc be maintained;

Let us have a silver dollar weighing 15½ times the gold dollar, and a silver piece of four schillings weighing 15½ times as four gold schillings, that is to say, weighing sixty-two gold schillings.

Let us everywhere ordain that holders of gold and silver be free to take these metals to the mint, and have them coined.

<sup>1</sup> See above, p. 14.

Let us render it optional to all to pay in gold or silver specie.

Such is the international monetary programme that we defend. If carried out it would have for effect:—firstly, to give stability to the relative value of gold and silver; and, secondly, to reduce to a minimum the fluctuations of the buying power of money. We shall here explain how and why this double result would be accomplished.

The instability in the comparative value of the two metals arises from four causes which are intrinsic to the metals themselves: firstly, the increased production of gold; secondly, its diminished production; thirdly, the increased production of silver; and, fourthly, its diminished production.

The abundant metal is the least demanded. Its tendency is to be depreciated, whilst the scarcer metal becomes dearer. But, it is evident that if to increased production we oppose increased demand, and to decreased production decreased demand, there arises an equilibrium, and things remain unchanged. Now, precisely, the demand, which, without the adoption of the 15½, is for

the metal which is scarce, would, if it were everywhere in force, be for the one that is abundant, as we are about to show.

The bi-metallic law permitting each and every one to pay at will, in gold or silver, it is obvious that dealers in money will give up searching for the metal which is hard to find, and seek for that which is plentiful, to have it coined. Not being demanded the scarce metal will not rise in price; and, being demanded, the one which is abundant cannot fall. Both will end by being taken at a reciprocal value of one kilogramme of gold to fifteen and a half of silver.

Yes; if each person is everywhere free to coin gold and silver at the  $15\frac{1}{2}$  Standard, the causes which put in action the law of supply and demand will be interverted. It will be no longer the rarity, but the plenty which will occasion the demand, and, reciprocally, it will not be the abundance but the scarcity which will lead to the offer. Under the international regime of  $15\frac{1}{2}$ , a kilogramme of gold on issuing from the mine will be worth  $15\frac{1}{2}$  kilogrammes of silver, for, in no part of the world can they make with it more

money than with  $15\frac{1}{2}$  kilogrammes of silver. Likewise, coming from the mine the  $15\frac{1}{2}$  kilogrammes of silver will be valued at one kilogramme of gold; for in no part of the world can they make with them more money than with one kilogramme of gold.

This fixity of the relative value, which appears prodigious, can be obtained without infringing on the liberty of the individual, because the legally granted option to pay in gold or silver, does not preclude stipulations being made in contracts, for exclusive payments to be made in either metal. In France people have been always allowed to make such a stipulation. But as no profit was to be gained, nobody thought of availing himself of this liberty.

The  $15\frac{1}{2}$  standard has for effect to constitute with the totality of gold and of silver, whatever variation the production of one or the other metal undergo, a new monetary mass, which perhaps we might be allowed to call *electrum*, on account of the singular esteem of which it is worthy.<sup>1</sup>

<sup>1</sup> See "Littre's Dictionary."

The two metals are not alloyed as they were in the *electrum* of the ancients. But each part of one metal (gold) is always worth  $15\frac{1}{2}$  parts of the other metal (silver).

We therefore have here a monetary mass, fully as homogeneous as if it were constituted of a single metal. It is, at the same time, the greatest mass we can possibly employ, since it embraces the totality of the two metals capable of serving as money.

It is admitted without contradiction that the greater the bulk of the monetary mass, the less strong the variations in the buying power of specie, when the monetary matter has suddenly contracted or expanded.

Suppose there were 10,000 tons of gold circulating in the whole world, and silver being everywhere demonetised; and suppose that an additional supply of 1000 tons were rapidly produced. What would happen? Gold would lose a tenth of its purchasing power. The same quantity of bullion would buy nine-tenths only, of what it would have bought before the appearance of the 1000 fresh tons. But, if the monetary

mass be not only composed of the 10,000 of gold but as well of the 150,000 tons of silver in actual circulation, it is doubled. Thanks to the universality of the bi-metallic  $15\frac{1}{2}$ , we are exactly in the same situation as if 20,000 tons of gold or 300,000 tons of silver were circulating. What takes place on the speedy apparition of the fresh 1000 tons or of a corresponding quantity of silver? The monetary mass is simply increased by a twentieth, and, consequently, the diminution in the purchasing power of money is a half less.

When monetary production slackens, this circulation in an inverse sense holds good.

Should it be objected that the bi-metallic mass is exposed to the variations in the production of both metals, instead of to those of one, we would reply that greater regularity is probable in the production of gold and silver, taken together, than in the production of a single metal. To be brief, the employment of a bi-metallic currency is much more conducive to the stability of the purchasing power of money, than a mono-metallic one. If bi-metallism did not exist, we should be

driven to invent it; and yet so many people are anxious to do away with it.

The harder they fight the more we should strive to maintain, to explain, and to spread its application, in order that its beneficent action may be everywhere felt.

Commercial, postal, and telegraphic conventions bind together nations for the advantage of all and each. A bi-metallic monetary convention between the countries of francs, the country of marks, the country of pounds sterling and the country of dollars would procure the following benefits:—

The two advantages above-mentioned: stability of the relative value of gold and silver, and reduction to a minimum of the variations of the buying power of money.

The advantage of raising the value of silver, the fall of which proceeds only from the refusal to admit the lingot at the mint.

The advantage of avoiding the enormous losses caused in Germany and in Europe by the demonetisation of silver.

The advantage of preventing the monetary

convulsions from which all branches of trade and commerce will suffer if demonetisation goes on.

The advantage of securing the possibility to pay and be paid in metallic money, accounts between us and China, India, and other countries of Asia, where gold is not accepted, an advantage which would disappear if Europe ceased to employ silver as money.

Finally, there would be the advantage of rendering in France and the United States a return to payments in specie down, immediate, and of facilitating them in Italy, Austria, and Russia. Were but two of the Great Powers to sign a bi-metallic monetary convention, the future of the 15½ would be assured. But, perhaps, before diplomacy interfere, it may be well that the German monetary revolution should have gone through all its phases.

## IV.

## THE RESUMPTION IN AMERICA OF PAYMENTS IN SPECIE.

We must render President Grant the justice to say that there is no greater enemy than he of paper money, and that nobody desires more than he a return to a metallic money. We have already said (see our brochure, *Or et Argent*,<sup>1</sup> page 75) such a return would be very easy in America if Congress would allow the public to get silver dollars struck in the Federal mints, weighing  $15\frac{1}{2}$  times as much as the gold dollar, or, in other words, if the United States would return to the bi-metallic regime founded by Hamilton,<sup>2</sup> and adopted so successfully by France.

<sup>1</sup> Paris, Guillaumin.

<sup>2</sup> Some voices were raised in favour of monometallism but

There is but one way of getting out of the vicious circle of paper money. It is, to procure a great deal of metal. But, it will be objected, gold enough is not found, and if America had to wait until the earth brought it forth in quantities sufficient, she would be obliged to wait a very long time indeed before she could return to a metallic money.

The objection is just. But why not turn the difficulty by means of silver?

You have been since 1873 coining big dollars to

Hamilton the eminent minister whom Washington had placed at the head of the finances, was resolutely bi-metallic; "Contrary to the ideas which had previously prevailed, he proposed that no preference should be given to either gold or silver. The principal reason against such a preference was, that attaching the unit to either of the metals would destroy the office of the other as money, reduce it to a mere merchandize, and diminish the quantity of circulating medium, thus diminishing the utility of one of the metals" (History of the Republic of the United States of America, as traced in the writings of Alexander Hamilton, Philadelphia, 1868, t. iv. p. 272). Jefferson, who afterwards became President of the United States, and who was then Vice-President, emitted the same opinion. The Congress voted the bi-metallic law on the basis of 15, by virtue of which gold and silver dollars were coined, the latter containing fine metal fifteen times as much as the former.

compete in Asia with the Mexican piastre. You have also coined off half-dollars of the precise value of the half of a 5 franc piece in the hope of finding an outlet for this coin in the States of the Latin Union. You think it fair to employ your silver as money in Europe and Asia. Why do you not begin by setting the example at home?

It is absolutely false that silver metal is less noble than gold, or less suited for a monetary function. It even once happened that Holland found it served this purpose better, and she demonetised her gold accordingly. She was unjust towards this metal exactly as Germany now is towards silver.

France and the States of the Latin Union have always had reason to be satisfied with the bi-metallic regime of gold and silver. Act as they do, and fix a legal tender composed of the actual gold dollar, and of a silver one weighing  $15\frac{1}{2}$  times as much. All you will have to do is to render the debtor free to pay everywhere according to his choice, in gold or silver, under the same conditions, for maintaining between the value of gold and that of silver always and everywhere the same proportion.

All the metallic mass (gold and silver) that has been, or will be extracted from mines, rivers, and mountains, if used as money, would hardly be sufficient to do away with the opprobrium of paper money.

## SMALL ARGUMENTS.

It is objected that silver money is heavy, and that it undergoes a continuous depreciation. From this the conclusion is drawn that henceforth gold alone is to be kept as money. The first of these objections is old; the second is new; both have been recently sustained by two writers, M. Victor Bonnet, in the *Journal des Economistes*, and M. Paul Leroy Beaulieu, in the *Economiste Français*. The well-merited reputation of these economists imposes on us the duty of replying to them. We wish, in answering them, to say that if we qualify the arguments as "small" it is because they have reference only to the secondary bearings of the great question of the two metals. We shall begin by discussing the objection founded

upon the weight of silver. Suppose we have to pay the transport of this medium from one distant ocean to another. Will it cost more than gold? No. The freight is the same for 100,000 francs in silver weighing 500 kilogrammes as for 100,000 francs in gold weighing 32 kilogrammes and a fraction. The shipowner takes no account of the weight of gold, silver, diamonds, or other like precious objects. Again let us put the case that we have important payments to make in some great monetary centre. The affluent city of Hamburg for centuries paid exclusively in marcs. The marc was then a weight of silver. People then said a marc, as we say an ounce. The marc was never coined. Lingots of silver deposited in the bank of Hamburg necessarily weighed so many marcs, and merchants transferred to each other the ownership of marcs, without ever either seeing or transporting them. Nobody, therefore, had reason to complain of excessive weight or inconvenient bulk. Besides, this system of clearings and transfers between clients of banks, we have yet the bank-note payable to bearer, which can, in the general circulation, represent the metal deposited in the bank.

This paper is not heavier when it represents silver than gold.

Suppose we have to deal with small payments and pocket-money. No doubt the rich man prefers gold. But the artisan and the peasant are not fond of having their money in the small light gold pieces of 5 francs. They prefer silver coins, which escape less readily from their rough fingers. The advantages and disadvantages are on both sides balanced.

Silver money is quite as worthy a medium for large distant payments, for important home transactions, and for small running accounts. From any point of view, even when we consider the direct act of counting down, it is best to have a bi-metallic currency such as France has so long possessed without suffering thereby any damage.

We made the preceding reply, and published it two years ago. We are sorry to be obliged to repeat what has been said already. But what else can we do? When the terms of attack do not change, the defence can hardly vary. However, we shall adduce some facts in support of our previous answers.

We have before us two publications, one of which is Chaix' *Indicateur des Expéditions des Chemins de Fer*, and the other the *Livret des Tarifs des Messageries Maritimes*. In page 96 of the *Indicateur* we find "Gold and silver, whether in lingots coined or worked, articles plated with gold or silver, mercury, platinum, jewels, laces, precious stones, bank-notes, debentures, securities, bonds, are transported by fast trains, and at the rate per 1000f. and per kilometre of 0f. 002,772."

Turning to the *Livret des Messageries* we read, in page 19:—"The tariff from Marseilles to Shanghai is, for coined gold and silver lingots, precious stones, bank-notes, debentures payable to bearer, and other paper securities, one per cent. upon the value."

Suppose, under the watchful eyes of the mono-metallists, we send 100,000 francs from Paris to Shanghai. At the rate of 0f. 002,772 per kilometre and per 1000f., the transport by rail on a line of 851, from Paris to Marseilles, amounts to 236 francs. The maritime transport from Marseilles to Shanghai at one per cent. comes to 1000f.,



making a total of 1236, or  $1\frac{1}{4}$  per cent. of the entire value.

Whether we are dealing with gold, silver, or paper money, the sum of 100,000 francs is transported from Paris to the great port of Northern China, for 1236 francs. The conditions are the same for Japan. Save a very few exceptions, which must soon disappear, gold and silver specie are everywhere transportable at the same price.

There are three sorts of transport tariffs; the weight tariff, the bulk tariff, and the value tariff.

When things are transported according to weight, neither bulk nor value is taken into account; when they are transported according to bulk, neither weight nor value is considered; when they are taken according to value, the questions of size and heaviness are not raised.

If the sums to be transported are lost, the consignor pays for them. His risk in holding himself answerable for loss is met with a remuneration which is out of all proportion with the weight and volume, that are more or less insignificant, of the sums placed in his charge. This remuneration takes the form of the value tariff,

which once paid, the sender owes nothing more. In point of fact, he pays nothing for either bulk or weight, which accounts for the transport of silver money being no dearer than of gold or bank-notes.

To expedite 500 kilogrammes of lead from Paris to Shanghai costs 268 francs; to expedite 100,000 of gold, weighing 32 kilogrammes, entails an expense of 1236 francs; whereas to transport 500 kilogrammes of silver (we have here again the value of 100,000 francs) we do not pay, as for the lead, 268 francs, but the precise sum of 1236 francs which the 32 kilogrammes of gold cost us; and paper money, which is of insignificant weight and bulk, is taxed as high.

Governments, consignors, and consignees are of the same mind as to the fairness of these tariffs.

What, then, are we to say of the assertion of M. Victor Bonnet that "gold, as an exchange medium, has become the indispensable auxiliary of railways, electric telegraphs, and modern inventions"?

Should we not, on the contrary, lay down that,

owing to steam, silver has for distant consignments a fitness which places it on a par with gold? Its convenience for large and far-off payments is very much superior to what it offered in the time of stage coaches and carriers.

The telegraph has been alluded to. What in the world has the question as to whether monometallism or bi-metallism is the best for monetary purposes, to do with telegraphic intercourse? When in 1816, impelled by special circumstances, England, without having to operate any silver demonetisation, decided upon only coining gold, the electric telegraph was not even thought of.

With, or without electric cables, and whatever may be the inventions of modern science, silver will travel round the world as quickly as letters, and at not greater cost than gold. Railway companies and shipowners do not share the prejudices against it of the gold monometallists. By means of clearings, compensations, and notes on bearer, silver can, equally with gold, change hands in the twinkling of an eye, without stirring from the banker's safe. There are many who like handling gold; others prefer to finger silver.

Neither of them would be pleased if there was only a gold or a silver currency. Let us, in being bi-metallist, satisfy both.

The further bi-metallism spreads itself, the more permanent will be in each country the circulating mixture of gold and silver, to the contentment of all.

"It is a progressive sentiment," says M. V. Bonnet, "which leads nations to the gold standard." The reality, such as it appears to us, is this:—It happened towards 1858 that some writers, under the leadership of M. de Parieu, then Vice-President of the Council of State, undertook a monometallic campaign which brought forth no palpable fruits before 1871. In that year divers monometallists who had lived in Paris before the war—men of ability, but who did not see clear in this matter—profiting by the necessity under which the new German Empire was to establish monetary uniformity, dazzled it with the idea of the *éclat* it would derive from letting its fingers touch nothing but gold. An open ear was lent to the gilded serpent. To-day the bite is felt; but care is

taken to hide the sufferings which it causes. The disastrous effects, however, will soon be too general to admit of concealment.

It remains to us to discuss the other argument: "Silver is being depreciated; we must therefore get rid of it."

That silver is being depreciated is certain. The piece of a hundred sous and of a marc melted down is now only worth ninety-three sous and ninety-three pfennings, showing a loss of 7 per cent. But what has been the cause of this progressive fall? Why, the monometallists!

They have led Germany, and as a consequence the Latin Union, to abandon the coinage of silver. Wheat would be of small value if we did not use it for food. A precious metal loses greatly in price, when we cease to coin it into money. It is the monometallists who are the authors of the depreciation which, nevertheless, they point to as a proof of the unworthiness of the metal which they cry down. They resemble the people who, having tied up the legs of a horse, called out for him to be killed because he could not gallop. A

sage who was passing by undid the ligatures, and the steed flew off. Let Germany and France but raise the interdiction they have placed on the coinage of silver money, and this noble metal will recover its entire value. Fifteen and a half weights of silver will buy one weight of gold, and a heavy financial burden will be rolled from the shoulders of England, France, and Germany.

The monometallic epopee has not more than begun, and already we see that there exists no longer a single and unique stock of silver of homogenous value, as there exists a single and unique stock of gold. There are two stocks, the great and the little. The lesser one is composed of the new uncoined silver, which is no longer sent to the mint, and which has undergone a fall of 7 per cent.; the greater stock is the coined silver, in thalers and in francs; and it is this one the monometallists would call in, and melt down, and which, in the meanwhile, has a forced currency at a higher value, than that of the lingot.

If the fall is already 7 per cent. on the minor stock, what will it not be when the greater one

comes to be melted down and is brought to the state of raw material? What an abyss will it not open!

Yet this fall is urged as a reason to push forward the work of demonetisation. Why, on the contrary, it is the sign of coming ruin, to avoid which we should lose no time in coining silver. In not doing this, we waste a patrimony of hundreds of millions of marcs and of francs. All this sterling metal will, if the monometallists persist, tumble with a crash. Monometallists of France and Germany! will you insist in pursuing the path you have entered? We trust the error you have fallen into will be remedied. We count upon the force of things, which sometimes prevents man doing himself all the injury that he wished. We also reckon upon the extreme facility with which the Germans can retrace the step they have taken. All they have to do to repair the mischief is to throw open their mint to holders of silver lingots as to the holders of gold, and let both metals there be coined into marcs.

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